



California Performance Review Talking Points
Submitted by Mark Boitano, Executive Vice President and COO
Granite Construction, Inc.

August 13, 2004

- Granite Construction Company, headquartered in Watsonville, California is a heavy civil contractor and aggregates producer incorporated in 1922. While Granite works all over the country, California is our home and our largest market. Our California License number is #89. Granite works with Caltrans on an ongoing basis and we are focused on California's transportation system. Attachment #1 lists the top 10 Caltrans contractors, and as you can see, Granite builds 7 times the number of individual projects than the next closest contractor. Throughout California, over the last three years, Granite has built and supplied aggregates for our state's infrastructure for a value in excess of \$2.1 billion.
- Granite is an active participant in Transportation California, the Associated General Contractors, the California Chamber of Commerce, the California Business Roundtable and a number of other industry and business groups that have been grappling with the challenge of maintaining and improving California's transportation infrastructure to keep up with the state's economic and population growth.
- The Governor is to be applauded for initiating this process and for giving stakeholders inside and outside of government the opportunity to rethink how we go about delivering critical services to the public. The task force that prepared the initial infrastructure recommendations has identified critical issues and set forth many good ideas on how California can more effectively address its infrastructure responsibilities.
- The CPR task force report clearly identifies adequate funding as critical to meeting California's transportation infrastructure needs (INF 15). The report sets forth several avenues for building the transportation revenue base, including tolling and utilization of fees based on vehicle miles traveled. These are concepts that should be pursued. Today, though I want to focus on the number one funding priority—making sure that the dollars currently earmarked for transportation are used for that purpose.
- In 2002, voters in every County approved Proposition 42 with a statewide YES vote that approached 70%. The reality has been that Proposition 42 funds—the sales tax on gasoline—have been diverted to the General Fund to the tune of more than \$3 billion over the past three years (INF 15). Granite and the transportation community applaud the CPR recommendation that these funds be given further constitutional

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protection. That is why we strongly support ACA 24 to require repayment with interest within three years of Proposition 42 dollars diverted to the General Fund.

- It is difficult to overstate the economic implications of under nourishing the State's transportation coffers. For every billion dollars not spent on transportation construction, upwards of 18,000 well paying jobs are lost. Business pays a huge price for the time lost in moving goods and people on our congested highways. Motorists are out of pocket hundreds of dollars each year as a result of congested and sub-standard roads that reduce gas mileage and increase wear and tear and repair costs. Time is money and when needed highway rehabilitation is delayed by two years, the price tag for doing the job is likely to be four times as big.
- Granite is also pleased to see the call for flexibility in project contracting approaches (INF 01). Our firm participates in Design Build projects throughout the country and it is a source of frustration that our own state precludes Design Build contracting on the state highway system. The State and regional transportation authorities should be given the opportunity to utilize the most appropriate methodology for each project—whether it is design-bid-build or Design Build. Attachment #2, *U.S. Transportation Projects Scorecard*, lists all major Design Build projects. As you can see the only Caltrans project is SR 91, which resulted when AB 680 allowed this project to be built under the Design Build format. Currently 37 states can choose Design Build as a method of delivery for their infrastructure. As noted, California is not among this group and as a result is unable to match the cost effectiveness and delivery of transportation projects that would be possible with Design Build.
- An area that was not addressed by the CPR is the concept and practice for the *Value Engineering (VE)* of construction projects. This process in Caltrans is referred to as cost reduction incentive proposals (CRIPS). VE is now effectively precluded for bridge and pavement work in California. Let me give you a simple example. Last year, Granite had a Caltrans contract for a project in the High Desert. The specifications called for the application of a rubberized chip seal on an existing paved roadbed. We looked at the project and determined that a rubberized asphalt open grade overlay would do the job at least as well and save substantially on our costs to build the work. Granite presented the alternative to Caltrans and they agreed that what we were proposing would take less time and was a superior product, but determined that legally they didn't have the flexibility to authorize the change. That change would have resulted in a \$70,000 savings to the State and less inconvenience to the traveling public.
- The bottom line is that there are opportunities to do things better, smarter and more efficiently. That takes funding, flexibility and innovation. If this process is successful, the State will benefit and so will local government, the construction industry, our workers, the business community and, most importantly, the public.

- Granite and our entire industry are anxious to work with your Commission, the Administration, the Legislature and other stakeholders to help this California Performance Review process produce tangible benefits for our state.

TOP 10 CONTRACTORS BASED ON ONGOING CONTRACTS AS OF APRIL 2004

ATTACHMENT # 1

COMPANY	CONTACT	CONTRACTS VALUE	NO. OF CONTRACTS
C C MYERS INC 3286 FITZGERALD ROAD RANCHO CORDOVA, CA 95742 Business Phone Number: (916) 635-9370	DAN HIMICK President (916) 635-9370	\$ 322,644,815	6
FCI CONSTRUCTORS INC / CLEVELAND BRIDGE CALIFORNIA INC A JOINT 90 GREAT OAKS BLVD SUITE 105 SAN JOSE, CA 95119 Business Phone Number: (303) 485-4050	TOM RADEMACHER President (760) 727-9767	\$ 235,898,563	1
GRANITE CONSTRUCTION COMPANY P O BOX 50085 WATSONVILLE, CA 95077-5085 Business Phone Number: (831) 761-4758	BILL DOREY President and Chief Operating Officer (831) 761-4758	\$ 367,901,709	40
KIEWIT / F C I / MANSON A JOINT VENTURE 215 V STREET VANCOUVER, WA 98661 Business Phone Number: (360) 693-1478	TOM SKORO President (360) 693-1478	\$ 1,246,050,257	2
KIEWIT PACIFIC CO KIEWIT PLAZA 7TH FLOOR OMAHA, NE 68131-3374 Business Phone Number: (402) 342-2052	BRUCE GREWCOCK President & COO (402) 342-2052	\$ 239,590,273	2
M C M CONSTRUCTION INC PO BOX 620 6413 - 32ND STREET NORTH HIGHLANDS, CA 95660 Business Phone Number: (916) 334-1221	JIM CARTER President (916) 334-1221	\$ 205,404,003	6
TUTOR - SALIBA / KOCH / TIDEWATER JV 15901 OLDEN STREET SYLMAR, CA 91342 Business Phone Number: (818) 362-8391	RONALD TUTOR President (818) 362-8391	\$ 567,618,182	1
TUTOR-SALIBA CORPORATION 15901 OLDEN STREET SYLMAR, CA 91342 Business Phone Number: (818) 362-8391	RONALD TUTOR President (818) 362-8391	\$ 179,815,969	1
WASHINGTON GROUP INTERNATIONAL INC / OBAYASHI CORPORATION A JOINT C/O PATTY RIGGS P O BOX 73 BOISE, ID 83729 Business Phone Number: (208) 386-5206	TONY FERRUCCIO Vice President of California Operations (909) 425-4225	\$ 186,555,000	1
YEAGER SKANSKA INC P O BOX 87 RIVERSIDE, CA 92509 Business Phone Number: (909) 684-5360	BILL MCGUINNES President (909) 684-5360	\$ 383,541,091	5

U.S. Transportation Projects Scorecard

Contract Amount (\$ millions)	Project Name	Owner	Private Risk	Notice to Proceed	Sponsor Constructors
1,674	Hudson-Bergen Lt. Rail Ph. I+2	NJ Transit	DB/Equip+OM	10/96	Washington Group/Itochu (Perini/Slattery)
1,376	I-15 Reconstruction	Utah DOT	DB	3/97	Kiewit/Granite/Washington Group
1,369	Texas SH 130	Tex. DOT	DBM	7/02	Fluor/Balfour Beatty (DMJM + Harris)
1,186	I-25 Road/Rail Expansion	Colo. DOT/RTD	DB	5/01	Kiewit/Parsons Trans. Group
930	Jamaica-JFK Airtrain	Port Auth. NY/NJ	DB/Equip+OM	9/99	Skanska/Bombardier (Slattery/Perini)
790	San Joaquin Hills Toll Road	Trans. Corridor Agencies	DB	9/91	Kiewit/Granite
780	Eastern Toll Road	Trans. Corridor Agencies	DB	6/95	Flatiron/Wayss & Freitag/Sukut/Obayashi
712	Alameda Rail Tunnel	Alameda Corridor Trans. Auth.	DB	11/98	Tutor-Saliba/O&G Indus (Pars. Grp/HNTB)
689	JFK Terminal 4	Port Auth. NY/NJ	BOT	5/97	Schiphol/LCOR (Morse Diesel)
645	Foothill South Toll Road	Trans. Corridor Agencies	DB (partial)	11/98	Flatiron/HBG/Sukut/Fluor Daniel
610	Tacoma Narrows Bridge	Washington State DOT	DB	11/02	Bechtel Infrastructure/Kiewit
604	Camden-Trenton Light Rail	NJ Transit	DB/Equip+OM	6/99	Bechtel/Bombardier (Conti/LB Foster)
532	Cooper River Bridge	SC DOT	DB	7/01	Flatiron/Skanska
530	BART San Fran. Airport Ext.	Bay Area Rapid Transit Dist.	DB (FTA demo)	5/98	Tutor-Saliba/Slattery JV (HNTB)
386	Conway Bypass Highway	SC DOT	DB	3/98	Fluor Daniel
385	Route 3 North	Mass. Highways	DB/F/M	8/00	Modern Continental/Roy Jorgenson
360	SR 125 South + Connectors	San Diego Expressway L.P.	DB	5/03	Washington Group/Fluor Daniel (Parsons Grp)
343	Las Vegas Monorail	L.V. Monorail LLC	DB/Equip/F/O&M	10/00	Bombardier/Granite
330	Legacy Parkway	Utah DOT	DB	1/01	Fluor Daniel/Ames/Ed Kraemer
324	E-470 Toll Beltway, Seg. 2&3	E-470 Public Hwy Auth.	DB	8/95	Washington Group Intl/Fluor Daniel
323	Rt. 895 Connector	Va. DOT	DB/F	7/98	Fluor Daniel/Washington Group Intl
295	New Mexico 44 Highway	NM DOT	DB/L-T Warranty	9/98	Koch Materials (Flatiron/CH2M Hill)
291	Hiawatha Light Rail	Minn. DOT	DB	9/00	Granite/C.S. McCrossan
267	Blue Line Rail Tunnel	LA-Pasadena Blue Line Const.	DB	4/00	Kiewit/Washington Group
245	ROC 52 Highway	Minn. DOT	DB	NA	Fluor
236	Virginia Rt. 288	VDOT	DB/L-T Warranty	12/00	Koch/APAC/CH2M Hill
233	E-470 Toll Beltway, Seg. 4	E-470 Public Hwy Auth.	DB	1/00	Kiewit/Washington Group
232	Palm Beach-FtLaud. Track Dbl.	Tri-County Commuter Rail Auth	DB	8/01	Herzog/Granite/Washington Group
226	Carolina Bays Highway	SC DOT	DB	11/99	Flatiron/Tidewater
220	Blue Line Extension	WMATA	DB	4/02	Lane/Granite/Slattery Skanska
198	Rt. 28 Corridor Improvements	VDOT	DB/F	9/02	Clark Const./Shirley Contracting Corp.
191	Southern Connector Toll Road	Connector 2000 Assn.	DB/F	2/98	Interwest (Thrift Bros.)
191	Atlantic City-Brigantine Tunnel	NJ DOT	DB/F	10/97	Mirage Resorts (Yonkers/Granite)
184	U.S. 60 Upgrade	Arizona DOT	DB	5/01	Granite/Sundt
180	Northwest Parkway, Denver	NWP Public Highway Auth.	DB	6/01	Washington Group/Kiewit Western
171	Reno ReTRAC	City of Reno	DB	7/02	Granite (Parsons Trans. Group)
145	Dulles Greenway Toll Road	TRIP II	BOT	9/93	TRIP II (Brown & Root)
132	U.S. 64 Knightdale Bypass	North Carolina DOT	DB	6/02	Flatiron Structures/Lane Const. Corp.
130	CPTC 91 Express Lanes	CalTrans	BTO	7/93	Level 3/Cofiroute/Granite (sold to OCTA 1/03)
129	U.S. 70	New Mexico DOT	DB	7/02	Granite/Sundt/James Hamilton (URS)
125	Portland Airport Max Rail	Tri Met	DB	10/98	Bechtel
102	I-4 Over the St. John's River	Florida DOT	DB	1/01	Granite/PCL Civil Constructors
86	Hwy I-17 Thomas to Peoria	Arizona DOT	DB	1/99	Granite/Sundt
85	Camino Colombia Truck Bypass	TexDOT	BOO	6/99	Granite/Carter & Burgess
82	Hathaway Bridge	Florida DOT	DB Warranty	6/00	Granite
53	New River Bridge	Tri-County Commuter Rail	DB	2/03	Washington Group International

Source: Public Works Financing

(Please send corrections/additions to PWFfinance@aol.com)

ATTACHMENT # 2